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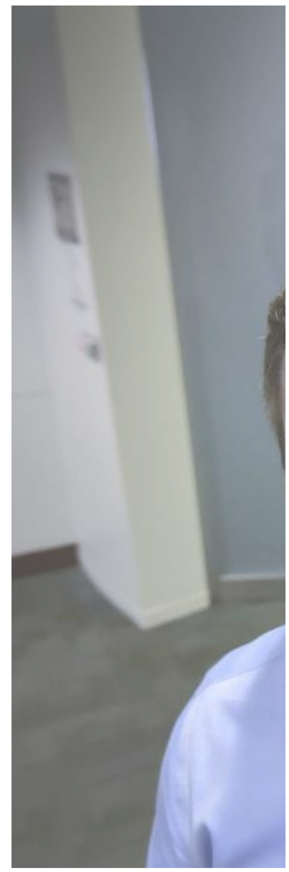
At Fidelity, new benefit helps employees pay off student loans

HIGHLIGHTS

- About 1,000 employees at Westlake campus take advantage of benefit
- Company will pay up to $2,000 a year on loans, up to $10,000
- Government agencies, other companies offer similar benefit

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Joe Brownback, a customer service manager at Fidelity Investments' regional campus in Westlake, has been paying off student loans for five years, but still has $20,000 to go.

Now he is getting a little help from his employer.

The TCU graduate signed up last month for a new benefit offered by Fidelity and a handful of other companies that helps pay down college debt. Fidelity company will make up to $2,000 a year in principal payments, with the amount based on the size of the debt. Its average monthly payment is $167.

Brownback, 27, will continue to make his own regular payments. But thanks to his employer's contributions, he said, he will slice the time it will take to pay off his remaining debt in half and save on interest costs along the way.

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> **OUR EMPLOYEES AND THEIR MANAGERS TOLD US THAT STUDENT LOAN DEBT WAS FORCING THEM TO PUT OFF MAJOR LIFE DECISIONS**

And that will allow Brownback and his wife to move up their plans for adding to their family, he said.

“Being a finance guy, I liked to pay off my student loans and free up that income before that extra responsibility,” he said. “To have this support, my wife and I found we can have that conversation sooner than we planned.”

Brownback, who has worked for Fidelity since 2012, isn’t the only employee who spotted the new benefit. In the first month Fidelity offered loan repayment, 5,000 signed up, or 11 percent of its workforce, said Jennifer Hanson, head of benefits for the company. More than 1,000 signed up at the Westlake campus, making up more than 20 percent of its workforce there.

“When we made the announcement, it went around like wildfire,” Hanson said. “For the first time ever I was getting high fives in the hall. The reaction was so unique and unexpected.”

$1 trillion Estimated amount of student debt in the U.S.

Preliminary figures show that the first group that signed up will cumulatively save $1.5 million in interest and eliminate roughly 660 years in payments, Hanson said.

“Our employees and their managers told us that student loan debt was forcing them to put off major life decisions like buying a home and having a child,” she said. “As a financial services firm, this was really concerning to us and we felt that providing a benefit like student loan repayment assistance helps us to address a very real financial concern that is impacting our employees directly,”

Around 25 percent of all Fidelity employees have student loans, so more signups are expected.

Although student debt in the U.S. exceeds more than $1 trillion, only 3 percent of companies offer the student loan payoff benefit, according to a 2015 employee benefit survey by the Society of Human Resource Professionals.

The federal government has led the way in such repayment programs, offering them to some employees — including engineers, special agents and intelligence analysts — for years. In 2014, 33 federal agencies provided 8,469 employees with a total of more than $58.7 million in student loan repayment benefits.

In addition to the federal government, others with such a benefit either planned or operating include PricewaterhouseCoopers, Natixis Global Asset Management and Nydia.

Smaller companies include LendEDU, CommonBond, SoFi, Chegg and ChowNow, according to *The New York Times*.

More companies will be jumping on board, said Mark Kantrowitz, a financial aid expert and publisher of Cappex.com, a free web site that connects students with colleges and scholarships.

“I definitely see a lot of interest in the idea among companies, especially on the west coast, because repaying student loans is of increasing concern among recent college graduates,” he said. “They care more about repaying their student loans than saving for retirement. If it matters to prospective employees, it matters to employers.”

The terms of the repayment plans can differ significantly.

For example, federal agencies may make payments to a loan holder of up to $10,000 for an employee per year, up to $60,000 for any one employee. In return, the employee must sign an agreement to remain in the service of the paying agency for at least three years. If the employee leaves before that, he or she must reimburse the government for all repayment benefits received.

Fidelity's plan is smaller in amounts, with a total payback benefit of $10,000. But there is no payback required if the employee leaves.

Several bills in Congress are attempting to make such repayment programs by companies tax-free.

"People forget that the 401(k) is only 35 years old and followed a similar path to tax-free status," Kantrowitz said. "I think the odds of passage are good, since one of the legislative proposals had bipartisan co-sponsorship. The idea of an exclusion from income for employer-paid loan repayment assistance has a degree of political elegance to it."

Passage this year may rely on a push from voters to get one of the presidential candidates to back the proposal, however, Kantrowitz said.

For a list of other repayment options for student loans, go to www.studentaid.ed.gov.

Teresa McUsic's column appears Saturdays. TMcUsic@Savvyconsumer.net

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